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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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The Four Corners Of America . . .

Although several of the latest national statistics indicate that the pace of the business expansion is slowing, many states across the country are still enjoying the benefits of a strong economic rebound. By and large, these are the states whose economic fortunes are tied primarily to such industries as high technology, defense, financial services, retail trade and tourism. In such states, workers are still finding new jobs, consumers are spending generously and strong nonresidential construction is offsetting the slack in homebuilding.

A quick journey to the four corners of America confirms that the business expansion has not yet run its course. Take, for example, California—the nation's most populous state. Following a very strong 1983, business activity continues to surge ahead this year. Total nonagricultural employment increased by 475,000 in the past 12 months. Almost all sectors of California's economy are sharing in the expansion. As a result, the state's jobless rate declined to seven percent in October, 1984—well below the high of 11 percent reached in December, 1982. The state's broad gains in employment combined with relatively low rates of inflation have led to a strong growth in people's buying power.

California owes its good economic times to the diversification and flexibility of its industrial base, which ranges from movies and tourism to aerospace and defense-related manufacturing. One of the fastest growing sectors of California's economy is high technology. It encompasses a wide range of products from microchips to computers, communications equipment, aircraft, missiles and space vehicles. Originally attracted to California because of its mild climate and excellent educational system which provides skilled labor, the high-tech sector today represents a significant part of the state's economy. It now accounts for approximately one-third of all manufacturing jobs in the state. California's high-tech sector is benefiting from the national recovery, which has brought increased demands for aircraft and electronic equipment, as both businesses and consumers have increased airline travel and purchases of computers. It is also being buoyed by the current defense buildup, the Space Shuttle and other NASA programs.

At the same time, however, California's economic base is shifting from manufacturing to services—a growing trend in the rest of the country as well. Los Angeles has emerged as a gateway to Asia and as the financial services center of the West.

. . . Tell Four Similar Stories . . .

Moving from sunny California to equally sunny Florida, buoyant business activity can also be found. The Sunshine State's economic performance overshadows the other states of the southeastern region. The latest census of the population shows that Florida has pushed aside Ohio to become the nation's sixth largest state. This strong population gain allowed homebuilding and nonresidential construction activity to experience solid growth. While residential construction dominates total building activity in the state, such nonresidential construction activities as offices, manufacturing and retail space, as well as educational facilities, hospitals, public and religious buildings, are growing most rapidly.

Florida has also become the financial center of the Caribbean Basin. Economic problems and currency depreciation in several Latin American countries did affect the international economic activity of the state, but the worst seems to be over. After a sharp drop in 1983, international trade in Florida is on the rise again. The U.S. Department of Commerce reports that Florida's trade (exports and imports) grew by 28 percent during the first eight months of this year from the same period in 1983. While most of this increase is attributable to growing imports, there has been a steady rise in exports as well. In fact, exports have been running above year-ago levels for seven consecutive months.

Finally, Florida's ability to court high-tech businesses has produced a solid dividend. The high-tech share of manufacturing employment now amounts to more than 40 percent. The state ranks seventh among all states in the number of persons employed in electronics and related manufacturing. According to Florida's Department of Commerce, one out of every four new jobs is being created by the high-tech sector.

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. . . Of The Expansion's Resiliency

In the Northeast, Massachusetts is another state where a diversified economic base and growing defense spending are elements of strength. The state enjoys one of the lowest jobless rates in the country. In October, 1984, for example, only 3.4 percent of the state's labor force was unemployed compared with the 7.5 percent unemployment rate for the country as a whole. The state's current prosperity is the result of efforts to transform its economic base from aging traditional manufacturing to more diversified high-tech and service-oriented industries. These efforts paid off: Massachusetts has emerged as the East Coast center for high-technology industries. The growth of the high-tech sector has brought with it an explosion of supporting service industries. Boston, which is New England's center for finance, insurance, education and health, has more than half of its work force engaged in service-oriented industries.

This increased business optimism is reflected in the state's building activity. The F.W. Dodge division of McGraw-Hill reports that in September, 1984 nonresidential construction was up more than 100 percent from the same period last year. Another boon to Massachusetts is derived from moderating fuel prices. Massachusetts' traditionally high energy costs are dropping relative to the southern states, thanks to the softness in oil prices.

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit	11/14/84		
U.S. Gov'ts and Agencies Owned Outright & RPs	161.451	+ .380	+ 4.812
Loans to Depository Inst.	4.683	– .878	+ 3.662
Float	.701	+ .488	– 1.311
Total Reserve Bank Credit	179.595	+ .180	+11.373
Treasury Deposits with Federal Reserve Banks	3.128	– .063	– .079
Currency in Circulation	178.589	+ 1.580	+11.094
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	117.677	– .690	+ 4.693
	11/7/84		
Member Bank Reserves:			
Total Reserves Held	37.941	+ .078	+ 3.245
Excess (Deficiency)	.531	+ .088	– .049
Net Borrowed Reserves	.928	+ .998	+ .591
		% Change Since Three Months Ago*	% Change Since Year Ago
Monetary Aggregates †			
M1 (11/5/84)	546.7	+ 0.3‡	+ 4.7‡
M2 (October '84)	2,317.0	+ 6.2	+ 6.9
M3 (October '84)	2,916.0	+ 7.8	+ 9.7
Domestic Nonfinancial Debt (2nd Q'84)	5,589.6	+ 12.9	+ 12.4

†Seasonally adjusted.

* Seasonally adjusted annual rate.
‡ Four-week moving average.

New York Money Market

Offering Rates 11/16/84	3 Months	6 Months	1 Year
‡ U.S. Treasury Bills	8.30%	8.50%	8.90%
* Federal Agencies	8.96	9.38	10.00
* Project Notes–Taxfree (46% Taxable Equivalent)	9.90	10.09	NA
Negotiable Time CDs Manufacturers Hanover		Rates By Arrangement	
* Secondary Market–Prime	9.35	9.55	10.15

‡ Finance Company Paper–Prime

5- 14 days	9.15%
15- 29 days	9.15
30- 59 days	9.10
60- 89 days	9.00
90-179 days	8.85
180-239 days	8.75
240-270 days	8.75

‡* Bankers' Acceptances

Dec.	9.15%
Jan.	9.15
Feb.	9.20
Mar.	9.20
Apr.	9.20
May	9.20

‡ Industrial Paper–Prime

30- 89 days	9.10%
90-120 days	8.90

†Federal Funds Effective Rate 9.60%

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	3rd Q'84	$ 3,701	$ 3,645	$ 3,347
Gross National Product (1972 Dollars)*	3rd Q'84	$ 1,650	$ 1,639	$ 1,550
Percent Change, Annual Rate	3rd Q'84	2.7	7.1	6.8
Change in Consumer Prices (new series)*	Sep '84	4.8%	6.0%	4.8%
Change in Producer Prices*	Oct '84	– 2.4%	– 2.4%	2.4%
Civilian Employment (Thousands of Persons)†	Oct '84	105,586	105,239	101,970
Unemployment as % of Civilian Labor Force†	Oct '84	7.4%	7.4%	8.8%
Personal Income*	Sep '84	$ 3,071	$ 3,045	$ 2,785
Leading Indicators Composite Index (1967=100)†	Sep '84	164.6	164.0	160.0
Industrial Production Index (1967=100) †	Oct '84n	165.2	165.2r	155.0
Net Change in Consumer Installment Credit †	Sep '84n	$ 4.28	$ 6.00	$ 2.55
U.S. Merchandise Trade Balance †	Sep '84	–$ 12.65	–$ 9.86	–$ 6.22
Plant and Equipment Expenditures*	4th Q'84	$318.33(a)	$316.22(a)	$283.96
Private Housing Starts (Thousands of Units)*	Sep '84	1,676	1,539	1,679
New Construction Expenditures*	Sep '84	$ 315.3	$ 311.9	$ 281.7
Total Business Inventories †	Sep '84n	$ 559.8	$ 556.5r	$ 507.0
Total Business Sales †	Sep '84n	$ 408.9	$ 411.2r	$ 379.2

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

In the northwest corner of the country, Washington state can also boast of strong growth in nonfarm employment. It is being led primarily by booming defense-related manufacturing, the transportation equipment industry, construction, trade and services. Increased hiring has lowered the state's jobless rate from the double-digit levels that stubbornly prevailed in the last three years to 8.4 percent in September, 1984. Most of the new jobs, however, are centered around the Greater Seattle area, where about half of the state's population lives. Downtown Seattle is becoming a major trade and service center of the region and it is among the top ten fastest growing metropolitan areas in the country.

However, the state's lumber and mining industries have been largely bypassed by the current business expansion. The lumber industry, which provides jobs to about 20 percent of the state's manufacturing work force, has been shrinking its payrolls and closing sawmills, notwithstanding the fact that new housing construction has recovered from its 1982 low of 1.1 million housing starts. The industry's problems stem from a decline in lumber prices caused by overproduction and stiff Canadian competition. The undervalued Canadian dollar has allowed Canadian producers to capture a large share of the U.S. lumber market. At the same time, the state is also losing market share to southern sawmills that use lower-cost logs and employ less expensive labor. H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Time Deposits of $100,000 or more Weekly Reporting Banks			
Nationwide (10/31/84)	159,208	– 1,451	+15,299
New York City (11/7/84)	33,916	+ 81	+ 3,342
Commercial Paper (11/7/84)	233,191	+ 2,680	+52,251

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (10/31/84)	246,932	+ 926	+28,226
New York City (11/7/84)	64,437	+ 416	+ 5,750

Total Loans and Leases Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (10/31/84)	636,986	+ 6,505	+95,360
New York City (11/7/84)	143,752	+ 611	+21,924

Financial Markets

	Friday 11/16/84	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	8.90%	– .10	– .28
180-Day Bills†	9.35	– .16	– .25
Longest Bills †	9.80	– .17	– .12
Recent Issues:			
11⅝s 10/31/86	10.70	– .40	
11⅜s 9/30/88	11.20	– .28	
11⅝s 11/15/94	11.70	NA	
12½s 8/15/14	11.65	– .02	
Municipals:			
Bond Buyer–20 Bond Index* (11/15/84)	10.31%	+ .14	+ .61
Blue List Total ($ Million)	$1,786	+$ 54	+ $ 305
30-Day Visible Supply ($ Million)	$2,567	–$ 883	– $ 746
Total	$4,353	–$ 829	– $ 441
Corporates:			
Moody's Aa Composite (11/15/84)	12.74%	– .04	+ .13
30-Day Visible Supply ($ Million)	$1,690	–$3,317	+ $1,290
Stocks:			
Dow-Jones Averages:			
Industrials	1,187.94	– 31.03	– 62.97
Transportation	516.22	– 16.21	– 89.82
Utilities	143.77	– 2.00	+ 6.44
65 Stocks	471.65	– 12.10	– 34.03
Standard and Poor's 500 Stocks	164.10	– 3.50	– .99
N.Y.S.E. Composite Index	94.70	– 2.03	– .76
N.Y.S.E. Avg. Daily Vol. for Week (000's)	73,042	–20,904	– 10,550

* 46% Taxable equivalent 19.09%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 11/16/84	Week Ago
Overnight	9.50%	9.38%
1 month	9.38	9.50
3 month	9.63	9.81
6 month	9.89	10.06
1 year	10.63	10.63
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	11.90%	12.00%
Long Term (7 to 15 yrs.)	11.90	12.00

FOREIGN EXCHANGE SPOT RATES

New York Opening (11/16/84)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.01671	59.83
Canada	.7601	1.3157
Denmark	.09355	10.6890
France	.1100	9.0950
Germany	.3374	2.9635
Italy	.0005426	1843.00
Japan	.004124	242.50
Mexico	.004762	210.00
Netherlands	.2992	3.3418
Switzerland	.4094	2.4428
U.K.	1.2600	.7937

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